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THE PRIME MINISTER

4 December 1979

Dear Dr Jack

I promised that I would write to you again about the decision of the Scottish Milk Marketing Board to extend the operation of its own milk tanker fleet.

Following your letter of 24 October, I discussed the matter with George Younger, the Secretary of State for Scotland, and agreed with him that he should invite Sir William Young, Chairman of the Scottish Milk Marketing Board, to explain the background to the Board's decision. Although you had said in your earlier letter that you did not wish the Scottish Office to be brought in, I hope you will appreciate that this was the only way I could get at the facts. However, I can assure you that your name has not been disclosed to the Board.

It is certainly Government policy to support private enterprise, and small businesses in particular. But the Scottish Milk Marketing Board is not in any sense a nationalised industry. It is a co-operative of small businesses - the dairy farmers. It does not receive any assistance from the taxpayer, but operates on behalf of and under the control of the dairy farmers themselves.

There is no doubt that the Board has power to operate milk haulage by its own vehicles as well as by contractors, and I understand that at present about 20% of the milk is carried by its own fleet (the lowest percentage of all the UK Boards). Sir William Young has explained that the Board has for the past year or so been considering changes in its haulage operations in the light both of changes in the level and pattern of milk production and of its experience during the strike of drivers

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in the private haulage sector. Both to save cost and to reduce its vulnerability to industrial action, it proposed certain changes to the Milk Haulage Liaison Committee at two meetings last July.

Following these meetings I understand that the Board agreed that the planned scale of expansion in the Board's transport fleet would be limited to cover 38 to 40% of the total milk supply instead of 50% as originally planned; and that the compensation terms to be offered to hauliers would be significantly improved. The revised terms were, I understand, presented by Board officials to a further meeting of the Committee in August which was open to all private hauliers engaged in milk haulage; and the Board's revised programme was accepted.

The Board's decision to expand its tanker fleet appears to have been taken in the best interests of its 3,000 or so members. I know you do not accept that it will result in an improved service, and I do of course understand that some private hauliers, such as yourself, will be adversely affected by it. But I do not think the Government could justifiably try to intervene to influence what is essentially the Board's commercial judgement.

In fact, the Government have no direct power to intervene in the commercial activities of the Board. But there are safeguards for the public against the Board's misusing its powers; and you could if you wished make use of these safeguards. If you wanted to pursue this route, you would need to make a formal complaint to the Secretary of State for Scotland. He would decide whether to direct the Committee of Investigation constituted under the Agricultural Marketing Act 1958 to consider and report to him on the complaint. If the Committee were then to report that the Board had acted against the interests of an individual and not in the public interest, it would be open to the Secretary of State to direct the Board to rectify the matter.

However, I have to say that, on the facts available to me, I think it unlikely that a complaint in this case would succeed. The best protection which I believe you and other contractors in

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practice have is the knowledge that any decision by the Board which increases its operating cost would directly penalise its own producer members; and they, I hope, would not be slow to call the Board to account for it.

signed

MT

Dr. W.G. Jack

PRIME MINISTER

I attach a draft letter for you to send to Dr. William Jack in reply to his earlier letter (Flag A) about the Scottish Milk Marketing Board.

Mr. Younger, as you agreed, wrote to the Chairman of the Board asking him to explain the Board's decision to expand their own tanker fleet at the expense of the private hauliers. The Chairman's reply is at Flag B, and this shows that the decision was taken wholly on commercial grounds in order to reduce costs and reduce the Board's vulnerability to industrial action in the private sector. It seems that they were badly affected by the road haulage strike last winter. But the private hauliers will still transport 60% of the total milk supply.

The Scottish Office do not think that Dr. Jack has any real case against the Board, though it may well be that his own business -- unfortunately - is adversely affected.

The Scottish Office produced a much longer, and more bureaucratic, draft. I have tried to humanise it a bit, and shorten it, though I fear it will not be of much comfort to Dr. Jack.

Thanks - very much.
I doubt if reasoning will have much effect.

30 November 1979

DRAFT FOR THE PRIME MINISTER

Dr W J Jack
Heathcote
25 Snowdon Terrace
WEST KILBRIDE
Ayrshire

~~As my private secretary~~ ~~wrote~~ ~~to~~ ~~you~~ ~~on~~ ~~my~~ ~~behalf~~ ~~on~~ ~~the~~ ~~facts~~ ~~of~~ ~~the~~ ~~case~~ ~~and~~ ~~to~~ ~~me~~ But in fact I asked to be kept informed

I promised that I would write to you again about the decision of the Scottish Milk Marketing Board to extend the operation of its own milk tanker fleet, ~~once I had looked into the matter~~.

~~I do regret that the specific request in your letter of 26 September that its contents should not be conveyed to the Scottish Office was not complied with.~~ On the other hand I am sure you will appreciate that ~~my~~ the staff in No 10 do not have detailed information about ~~such matters as~~ the operation of the Milk Marketing Boards, ~~and accordingly they had to consult someone~~. I can assure you, however, that ~~this consultation was kept strictly within Government~~. Following your letter of 24 October, I discussed the matter with George Younger, the Secretary of State for Scotland, and agreed with him that he should invite Sir William Young, Chairman of the Scottish Milk Marketing Board, to explain the background to the Board's decision. ~~because I found it impossible to provide a considered reply to your representations without such information. At no time however was your name disclosed to the Board.~~ I can assure you that your name has not been disclosed to the Board.

Although you had said in your earlier letter that you did not wish the Scottish Office to be brought in, I hope you will appreciate that this was the only way I could get at the facts.

It is certainly Government policy to support private enterprise, and small businesses in particular. But the Scottish Milk Marketing Board is not in any sense a nationalised industry, ~~but a~~ It is a co-operative of small businesses - the dairy farmers. It does not receive any assistance from the taxpayer, but operates on behalf of and under the control of the diary farmers themselves.

There is no doubt that the Board has power to operate milk haulage by its own vehicles as well as by contractors, and I understand

that at present about 20% of the milk is carried by its own fleet (the lowest percentage of all the UK Boards). Sir William Young has explained that the Board has for the past year or so been considering changes in its haulage operations in the light both of changes in the level and pattern of milk production and of its experience during the strike of drivers in the private haulage sector. Both to save cost and to reduce its vulnerability to "external" industrial action, it proposed certain changes to the Milk Haulage Liaison Committee, at two meetings last July.

Following these meetings I understand that the Board agreed:

(a) that the planned scale of expansion in the Board's transport fleet would be limited to cover about 38/40% of the total milk supply instead of 50% as originally planned; and that

(b) the compensation terms to be offered to hauliers would be significantly improved.

The revised terms were, I understand, presented by Board officials to a further meeting of the Committee in August open to all private hauliers engaged in milk haulage; and the Board's revised programme was accepted.

As you have pointed out, the decision by the Board may adversely affect small businesses. On the other hand, the Board must operate in the interests of its 3,000 or so members. The Government have no direct power to intervene in the commercial activities of the Board, and it would not be our policy to do so. But as Lord Mansfield mentioned in his letter, safeguards for the public against possible misuse of the powers of the Board do exist. Before these safeguards could be activated, however, there would need to be a formal complaint to the Secretary of State for Scotland who would decide whether to direct the Committee of Investigation constituted under the Agricultural Marketing Act 1958 to consider and report to him on the complaint. If the Committee of Investigation reported that any act or omission of the Board was contrary to the interests of any person affected by the scheme

10 DOWNING STREET

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The Board's decision to expand its fleet takes appears to have been taken in the best interests of its 3,000 or so members. I know you will not find it hard to accept that it do not accept this decision will result in an improved service, and I do not consider that some private hauliers, such as yourself, will be adversely affected by it. But I do not think the Government could justifiably try to influence the Board's commercial judgment. what is essentially In fact, the Government . . .

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It the Committee / Board were then to report that ~~had~~ the Board / had acted against the interests of an individual and ~~against~~ not in the public interest, it would be open to the Secretary of State to direct the Board to rectify the matter.

// However, I am to say that, as the facts available to me, I do not think it likely that a complaint in this case would succeed. The best...

and not in the public interest, the Secretary of State could, if he thought fit to do so after considering the report and after giving the Board an opportunity to make representations:-

(a) by Order make such amendments in the scheme as he considered necessary or expedient for the purpose of rectifying the matter;

(b) by Order revoke the scheme; or

(c) if the matter was one which was within the power of the Board to rectify, he could by Order direct the Board to take such steps to rectify the matter as would be specified in the Order.

Any Order made would require to be laid before both Houses of Parliament.

While therefore I entirely understand and sympathise with the points you have made, I hope you will agree that the Government should not - even if it could - try to influence an essentially commercial judgment of the Board, and that the best protection which the Board's contractors in practice have is the knowledge that any decision by the Board which could be shown to have increased its operating cost would directly penalise its own producer members, who would surely not be slow to call the Board to account for it.

I believe you and other contractors

But from what I have said above, I hope I have to say that from the facts that an available to me, it seems that

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Tim Lankester Esq
Private Secretary
No 10 Downing Street
LONDON SW1

26 November 1979

Dear Tim,

SCOTTISH MILK MARKETING BOARD

I refer to our earlier exchanges following representations made by Dr W J Jack, Heathcote, 25 Snowdon Terrace, West Kilbride, Ayrshire to the Prime Minister about changes in the milk haulage arrangements by the Scottish Milk Marketing Board.

Mr Younger has now heard from Sir William Young, Chairman of the Scottish Milk Marketing Board explaining why the Board want to increase the proportion of milk hauled directly by Board tankers and setting out the steps that have been taken to implement their decision. I think you will find that the letter offers a full explanation. I now attach

(i) a copy of Sir William's letter (dated 17 November, but delayed in the post) and

(ii) a draft letter which the Prime Minister might consider sending Dr Jack.

Yours sincerely,

GODFREY ROBSON
Private Secretary

# THE SCOTTISH MILK MARKETING BOARD

Underwood Road · Paisley PA3 1TJ

*Telephone: 041-887 1234* *Telex: 779012*


17th November, 1979.

The Right Hon. George Younger, M.P.,
Secretary of State for Scotland,
Scottish Office,
Whitehall,
LONDON, SW1A 2AU.

Dear Mr Younger.

I thank you for your letter of 7th November and am pleased to furnish you with appropriate information on the Board's haulage arrangements.

As you know, the Board are responsible under the Scottish Milk Marketing Scheme for the organisation and payment of ex farm haulage of producers' milk. The annual bill is in excess of £5 million and has been rising substantially in recent years due to cost inflation especially in respect of labour and fuel. About 20% of the milk is carried by the Board's own fleet from a number of haulage units, and the remainder by 43 private hauliers on contract.

The Board have been considering for the past year ways and means of improving the efficiency of our ex farm haulage operations. During this period we experienced a considerable dislocation of our haulage operations as a result of the strike of drivers in the private haulage sector, which was particularly damaging in the South-West of Scotland. There have also been significant changes in the level of milk production and market demands. The rate of decline in producer numbers has been accelerating and thus fewer calls by tankers, varying from area to area, are now required. More recently the actual volume of milk to be uplifted has been decreasing at an alarming pace.

Having surveyed the total scene therefore, as a result of their deliberations, the Board decided that they should take certain steps to re-organise and rationalise ex farm haulage operations with a view to significant cost savings being obtained, to reduce the vulnerability of the Board to industrial action in the private sector and to provide a better basis for future innovations and improved handling techniques.

The aims were -

1. To reduce as soon as possible the size of certain private hauliers' fleets by one tanker, where appropriate, thus increasing the overall daily loading of the remaining tankers and reducing operating costs.

2./

2. To terminate over a period of some two years the contracts of a number of small private hauliers in proximity to five Board transport depots with a view to increasing the scale of operation of the latter, thus gaining future benefits from further rationalisation of routes and loading and making it easier to introduce through their own fleet new ideas for road tanker collection services.

3. To encourage, where appropriate, the amalgamation of private haulage fleets to create larger and more economical ex farm haulage units.

The Board's broad policy proposals were then discussed with representatives of the private hauliers in the Milk Haulage Liaison Committee, which has existed for negotiation and consultation purposes for many years. Two such meetings were held in July.

As a result of these meetings, the Board amended their original policy proposals on two counts.

1. The planned scale of expansion in the Board's transport fleet was curtailed so that instead of about 50% of the milk, only about 38/40% of the total milk supply was planned to be handled after the rationalisation programme was completed.

2. The compensation terms to be offered to hauliers either for the loss of a tanker or for the termination of a contract were significantly improved and were substantially in excess of the minimum set out in the contract.

The revised terms were presented by Board officials to a further meeting in August open to all private hauliers engaged in milk haulage at which the overall policy was outlined and discussed. As a result the Board's revised programme was accepted.

Subsequently Board officials have visited the relevant hauliers involved to discuss and negotiate the implementation of the Board's programme. The withdrawal of the individual tankers, as selected, was completed at 31st October in an amicable fashion.

In September, initial visits were also made by Board officials to those hauliers who would be involved in the longer term contract termination programme. A number of North Ayrshire hauliers were included. As a result, three hauliers in Wigtownshire volunteered to terminate their contracts at an early date and indeed one has already withdrawn from ex farm haulage, on the compensation terms offered by the Board. Further discussion will be taking place between the selected hauliers and Board officials during 1980, well before the target dates for contract termination in the second half of the year.

Possible amalgamation discussions have also been initiated with certain hauliers, although none have as yet borne fruit.

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The Board have a basic duty to their producers to organise ex farm transport, now such a major cost item, in the most efficient manner and firmly believe that a major rationalisation programme was necessary at this juncture if the potential future cost savings were to be made.

Ex farm transport in our area has been characterised by a large number of small private hauliers which, while offering certain benefits, also present a number of major disadvantages in terms of the most effective loading of tankers at all times. Whereas last year our Board handled only 20% of our milk, in England and Wales the M.M.B. handled 42%, the Northern Ireland Board hauled 50% and the North of Scotland and Aberdeen Boards hauled 100% of their own milk. We are thus out of line with the other Boards, and the Board's plans to improve their share of haulage of our producers' milk will still leave us at the bottom of the league.

While the Board appreciate the work of the private hauliers and have said so on many occasions, they cannot accept that a vested interest should stand in the way of overall improvements in road haulage efficiency to the benefit of our milk producers. The Board have, accordingly, tried to temper their decisions with generous compensation for the private hauliers who will be involved in the rationalisation programme.

The representatives of the hauliers at the meeting in August clearly stated that they were satisfied that the Board had recognised their obligations and had carried out their consultations and negotiations with hauliers in the Milk Liaison Committee in a very satisfactory manner.

Aware of the sensitivity engendered by such matters, I have perhaps been over elaborate in explaining the background to our ex farm milk haulage rationalisation programme but trust that these comments will now make it possible for you to deal adequately with the correspondence received by the Prime Minister.

Yours Sincerely

William Young

Dr. JACK

10 DOWNING STREET

*From the Private Secretary*

8 November 1979

SCOTTISH MILK MARKETING BOARD

The Prime Minister has read your letter of 7 November and is content for your Secretary of State to write to the Chairman of the Scottish Milk Marketing Board in the terms of the draft which you enclosed. She has also written to Dr. Jack - copy enclosed.

T. P. LANKESTER

Godfrey Robson, Esq.,
Scottish Office.

TPL